

FSA Update

18 April 2011

At the FSA last week:

- **FSA fines firm over the promotion of complex investment products**

The FSA has fined IFA firm Specialist Solutions plc £35,000 for failing to assess adequately whether customers were eligible to receive promotions for unregulated collective investment schemes ("UCIS") and failing to ensure that customers were given suitable advice to invest in them. In October 2010 the FSA required the firm to appoint a skilled person to review promotions of and advice given to customers to invest in UCIS during 2008 and 2009. During that period, the firm recommended UCIS to 101 customers who invested a total of over £11 million in one or more of the three UCIS funds promoted by the firm. The firm did not comply with legislation governing the promotion of UCIS and in nearly 50% of the 20 files reviewed to date for suitability, the advice given to customers was found to be unsuitable.

http://www.fsa.gov.uk/pubs/final/specialist_solutions_plc.pdf

- **Public censure for GTEP failings**

The FSA has issued a public censure of The Matrix Model Group (UK) Limited in respect of failings in relation to sales of a geared traded endowment policy ("GTEP") product. The FSA found that the firm did not take reasonable care to ensure the suitability of its advice in recommending the GTEP product; the firm failed to match customers' attitudes to risk to the product profile and did not communicate the risks involved with the GTEP product to customers.

http://www.fsa.gov.uk/pubs/final/matrix_model_group.pdf

- **FSA issues guidance on reverse stress-testing**

The FSA has published a set of frequently asked questions providing guidance on reverse stress-testing. The finalised guidance sets out the responses to questions raised by members of the industry during two rounds of presentations that were held in April/May and September/October 2010. In particular, questions were asked in the following areas:

- scope of application of the requirement;
- process – timings, definition of business model failure;
- scenarios – how many, time horizon, incorporation of management actions;
- governance; and
- use of the outputs of the exercise.

http://www.fsa.gov.uk/pubs/guidance/fg11_07.pdf

Key Issues

FSA fines firm over the promotion of complex investment products

Public censure for GTEP failings

FSA issues guidance on reverse stress-testing

FSA speaks about securities market regulation

If you would like to know more about the subjects covered in this publication or our services, please contact:

[Roger Best](mailto:Roger.Best@fsa.gov.uk) +44 (0)20 7006 1640

[Matthew Newick](mailto:Matthew.Newick@fsa.gov.uk) +44 (0)20 7006 8492

[Martin Saunders](mailto:Martin.Saunders@fsa.gov.uk) +44 (0)20 7006 8630

[Carlos Conceicao](mailto:Carlos.Conceicao@fsa.gov.uk) +44 (0)20 7006 8281

[Luke Tolaini](mailto:Luke.Tolaini@fsa.gov.uk) +44 (0)20 7006 4666

FSA Update Editor

[Susan Poffley](mailto:Susan.Poffley@fsa.gov.uk) +44 (0)20 7006 5918

To email one of the above, please use
firstname.lastname@cliffordchance.com

Clifford Chance LLP, 10 Upper Bank Street,
London, E14 5JJ, UK

www.cliffordchance.com

- **FSA speaks about securities market regulation**

David Lawton, Head of Markets Infrastructure and Policy at the FSA, has given a speech outlining the FSA's current and future strategy for securities markets regulation against the background of the EU Commission's review of the Markets in Financial Instruments Directive (MiFID). In particular, Mr. Lawton discussed:

- how the trading landscape might be redefined through the introduction of new types of trading venue;
- the steps that are needed to get better consolidation of equity trading data;
- how greater transparency should be introduced into non-equity markets, while not damaging liquidity;

- how MiFID should respond to the challenges being posed by new types of market practice, such as high frequency trading;
- the importance of transaction reporting as a tool to protect market integrity;
- how financial regulation can best contribute to the broader agenda on commodities; and
- the overarching importance of European markets remaining open to non-EU firms. http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2011/0318_dl.shtml

FSA Update will return on 9 May 2011.

This Client briefing does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

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